

## Fund 400 Sewer Revenue

### Board of Supervisors' Adjustments

*The following funding adjustments reflect all changes to the FY 2008 Advertised Budget Plan, as approved by the Board of Supervisors on April 30, 2007:*

- ◆ The Board of Supervisors made no adjustments to this fund.

### Focus

All availability fees and sewer service charges associated with the Wastewater Management Program are credited to this fund as operating revenues. The total receipts from all revenue sources are used to finance the following: Operation and Maintenance (Fund 401); Construction Improvement projects (Fund 402); Debt Service (Fund 403); Subordinate Debt Service (Fund 407); and, Bond Construction (Fund 408) associated with the Wastewater Management Program. Any remaining balance in Fund 400, Sewer Revenue is used for future year requirements and required reserves.

The Program's Availability Fee and Sewer Service Charge are based on staff analysis and consultant recommendations included in the Forecasted Financial Statement for July 1, 2006 through June 30, 2011.

### Current Availability Fee Rates

Availability Charges are fees charged to new customers for initial access to the system. In FY 2008, Availability Fees will increase from \$6,138 to \$6,506 for single-family homes based on current projections of capital requirements. The Availability Fee rates for all types of units are adjusted based on continued increases in expenses associated with treatment plant upgrades and interjurisdictional payments that result from population growth, more stringent treatment requirements, and inflation. The following table displays the resulting increase by category.

Category	FY 2007 Availability Fee	FY 2008 Availability Fee
Single Family	\$6,138	\$6,506
Townhouses and Apartments	\$4,910	\$5,205
Hotels/Motels	\$1,535	\$1,627
Nonresidential	\$318/fixture unit	\$337/fixture unit

### Current Sewer Service Charge

Sewer Service Charges are revenues received from existing customers and are used to fully recover program operation and maintenance costs, debt service payments and capital project requirements attributable to improving wastewater treatment effluent standards as mandated by state and federal agencies. The Sewer Service Charge rate will increase from \$3.50 to \$3.74 per 1,000 gallons of water consumption in FY 2008. This equates to a 6.75 percent increase in rates and will result in an anticipated increase in the annual cost to the typical household of \$18.24. This rate increase represents a departure for the rate schedules that have been projected in the past. The higher increase in Sewer Service Charges is adjusted based on federally mandated requirements which will result in the renovation and rehabilitation of existing treatment facilities. New Chesapeake Bay water quality program requirements include reductions in the amount of nutrient pollutants discharged from wastewater treatment facilities. In December 2004, the state notified the County that the renewal of County's National Pollutant Discharge Elimination System (NPDES) permit will include a requirement that nutrient removal be performed at the "Limits of Technology." Current technology allows for discharge limits of less than 3.0 milligrams per liter of nitrogen and 0.1 milligrams per liter for phosphorus. The County currently has the capability to meet a voluntary nitrogen removal standard of 8.0 milligrams per liter. A phased approach is recommended to renovate and upgrade current plant facilities to accommodate

## Fund 400 Sewer Revenue

these more stringent nutrient discharge requirements. Due to the significant level of requirements, the FY 2007 budget also reflected an anticipated bond sale in FY 2007 in the amount of \$150 million to provide maximum flexibility to meet new state regulatory requirements at Wastewater Management facilities. However, based on revised project schedule timelines, a bond sale is no longer anticipated. Rather, projects will be financed on an as-needed basis with shorter-term financing options in FY 2008.

Category	FY 2007 Sewer Service Charge	FY 2008 Sewer Service Charge
Per 1,000 gallons water consumed	\$3.50	\$3.74

The FY 2008 Sewer Service Charge will generate an additional \$5.8 million in revenues over the estimated *FY 2007 Revised Budget Plan* amount and will partially offset the increased costs associated with capital project construction, system operation and maintenance, debt service, and upgrades to effectively meet new, more stringent nitrogen discharge limitations from wastewater treatment plants. Other sources of revenue are projected to remain flat due to the moderation of new development and growth in the County as compared to previous years. The program will also utilize sewer fund balances to partially offset these higher costs. These FY 2008 rate increases are consistent with the recommendations of the Department of Public Works and Environmental Services and the analysis included in the Forecasted Financial Statement for July 1, 2006 through June 30, 2011.

### Availability Fees and Sewer Service Charges from FY 2004 through FY 2011

Fiscal Year	Availability Fee	Sewer Service Charge Per 1,000 gallons water used
2004	\$5,431	\$3.03
2005	\$5,621	\$3.20
2006	\$5,874	\$3.28
2007	\$6,138	\$3.50
2008	\$6,506	\$3.74
2009	\$6,896	\$4.10
2010	\$7,310	\$4.50
2011	\$7,750	\$4.94

### Changes to FY 2007 Adopted Budget Plan

*The following funding adjustments reflect all approved changes in the FY 2007 Revised Budget Plan since passage of the FY 2007 Adopted Budget Plan. Included are all adjustments made as part of the FY 2006 Carryover Review and all other approved changes through December 31, 2006:*

- ◆ At the FY 2006 Carryover Review, the Board of Supervisors approved a net decrease of \$7,359,200 in revenues based on FY 2006 actual revenues. The FY 2007 sewer fee revenues decreased \$8,600,000, partially offset by an increase in anticipated interest earnings of \$1,240,800. In addition, the transfer out to Fund 401, Sewer Operation and Maintenance, was decreased \$4,346,185 due to the anticipated decrease of sewer system revenues in Fund 400 in FY 2007 and the availability of fund balance within Fund 401.

*The following funding adjustments reflect all approved changes to the FY 2007 Revised Budget Plan from January 1, 2007 through April 23, 2007. Included are all adjustments made as part of the FY 2007 Third Quarter Review:*

- ◆ The Board of Supervisors made no adjustments to this fund.

# Fund 400

## Sewer Revenue

### FUND STATEMENT

#### Fund Type G40, Enterprise Funds

#### Fund 400, Sewer Revenue

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	FY 2008 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$62,124,239</b>	<b>\$52,248,938</b>	<b>\$58,435,627</b>	<b>\$55,601,336</b>	<b>\$55,601,336</b>
Revenue:					
Lateral Spur Fees	\$21,600	\$20,000	\$20,000	\$20,000	\$20,000
Sales of Service	7,030,166	7,600,000	7,000,000	7,000,000	7,000,000
Availability Charges	36,144,561	28,000,000	20,000,000	20,000,000	20,000,000
Connection Charges	70,624	75,000	75,000	75,000	75,000
Sewer Service Charges	79,945,396	86,488,800	86,488,800	92,326,794	92,326,794
Delinquent Charges	0	0	0	0	0
Miscellaneous Revenue	146,048	150,000	150,000	150,000	150,000
Sale Surplus Property	69,862	30,000	30,000	30,000	30,000
Interest on Investments	3,053,432	1,259,200	2,500,000	2,500,000	2,500,000
<b>Total Revenue</b>	<b>\$126,481,689</b>	<b>\$123,623,000</b>	<b>\$116,263,800</b>	<b>\$122,101,794</b>	<b>\$122,101,794</b>
Transfers In:					
Sewer Bond Construction (408)	\$0	\$0	\$0	\$0	\$0
<b>Total Transfers In</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Available</b>	<b>\$188,605,928</b>	<b>\$175,871,938</b>	<b>\$174,699,427</b>	<b>\$177,703,130</b>	<b>\$177,703,130</b>
Transfers Out:					
Sewer Operation and Maintenance (401)	\$69,133,457	\$78,008,575	\$73,662,390	\$84,908,494	\$84,908,494
Sewer Construction Improvements (402)	32,807,900	11,861,000	11,861,000	13,550,000	13,550,000
Sewer Bond Parity Debt Service (403)	6,720,045	11,474,701	11,474,701	6,650,160	6,650,160
Sewer Bond Subordinate Debt Service (407)	21,508,899	22,100,000	22,100,000	21,923,527	21,923,527
Sewer Bond Construction (408)	0	0	0	0	0
<b>Total Transfers Out</b>	<b>\$130,170,301</b>	<b>\$123,444,276</b>	<b>\$119,098,091</b>	<b>\$127,032,181</b>	<b>\$127,032,181</b>
<b>Total Disbursements</b>	<b>\$130,170,301</b>	<b>\$123,444,276</b>	<b>\$119,098,091</b>	<b>\$127,032,181</b>	<b>\$127,032,181</b>
<b>Ending Balance <sup>1</sup></b>	<b>\$58,435,627</b>	<b>\$52,427,662</b>	<b>\$55,601,336</b>	<b>\$50,670,949</b>	<b>\$50,670,949</b>
Management Reserves:					
Operating and Maintenance Reserve <sup>2</sup>	\$18,840,955	\$19,504,866	\$19,504,866	\$21,225,000	\$21,225,000
Nitrification Reserve <sup>3</sup>	2,497,000	0	0	0	0
Future Debt Reserve <sup>4</sup>	6,637,072	6,637,072	6,637,072	6,637,072	6,637,072
<b>Total Reserves</b>	<b>\$27,975,027</b>	<b>\$26,141,938</b>	<b>\$26,141,938</b>	<b>\$27,862,072</b>	<b>\$27,862,072</b>
<b>Unreserved Balance</b>	<b>\$30,460,600</b>	<b>\$26,285,724</b>	<b>\$29,459,398</b>	<b>\$22,808,877</b>	<b>\$22,808,877</b>

## **Fund 400**

### **Sewer Revenue**

---

<sup>1</sup> The Wastewater Management Program maintains fund balances at adequate levels relative to projected debt service requirements, operation and maintenance expenses, and capital improvements. These costs change annually and funding for sewer projects is carried forward each fiscal year; therefore, ending balances fluctuate, reflecting the carryover of these funds.

<sup>2</sup> The Operating and Maintenance Reserve was established to provide funding to offset expenses associated with sewer system emergencies occurring within Fund 401, Sewer Operation and Maintenance.

<sup>3</sup> The Nitrification Reserve was established to offset expenses occurring in Fund 402, Sewer Construction Improvements, associated with the nitrogen discharge upgrades at the Arlington Wastewater Treatment Plant. Beginning in FY 2007, no funding is required since all future nitrification expenses were appropriated in Fund 402, Sewer Construction Improvements.

<sup>4</sup> The Future Debt Reserve was established in anticipation of debt service reserve requirements for Virginia Resource Authority loans related to future treatment plant issues.